

Annual Retirement Compensation Max (aka Retirement Max)

Q. What is Retirement Max?

Each year the Internal Revenue Code (IRC) 401(a)(17) provides a dollar limitation on benefits and contributions under qualified retirement plans, including the California Public Employees' Retirement System (CalPERS).

Compensation limits for both Classic and New members do not limit the salary an employer can pay, but rather limits the amount of compensation taken into account under the defined benefit plan.

As employees reach their maximum contributions allowable the SCO's CS and CSU Retirement teams issue refunds each month returning those contributions back to the employee.

Q. Who does the Annual Retirement Compensation Max apply to?

Employees who first became members of CalPERS on or after July 1, 1996, are subject to the IRC 401(a)(17) limit. Employees with membership dates prior to July 1, 1996, are not impacted by these limits.

Q. How do I know what the annual maximum compensation limit is?

The annual limit depends on the CalPERS retirement enrollment level of the employee, either Classic or PEPPRA (aka New members).

January of each new year, CalPERS will issue a Circular Letter to all CalPERS Employers informing them of the annual limits for that year. The annual limit is also defined by the Social Security Participant status.

*For example, per **Circular Letter: 200-001-18** issued January 16, 2018:*

Compensation Limit

The compensation limit for classic members for the 2018 calendar year is \$275,000.

Employees with membership dates prior to July 1, 1996, are not impacted by these limits.

The compensation limits for classic members during 2014-17 are:

2017	2016	2015	2014
\$270,000	\$265,000	\$265,000	\$260,000

The compensation limit for new members for the 2018 calendar year is:

Year	Social Security Participants	Non-Social Security Participants
2018	\$121,388	\$145,666

The compensation limits for new members during 2014-17 are:

Year	Social Security Participants	Non-Social Security Participants
2017	\$118,775	\$142,530
2016	\$117,020	\$140,424
2015	\$117,020	\$140,424
2014	\$115,064	\$138,077

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Q. How do I know if an employee needs a refund?

The employer (SCO) is responsible for monitoring when an employee meets or exceeds the limit. Once a participant reaches the compensation limit, the employer must continue reporting compensation as earned; however employer and employee contributions should no longer be reported for the rest of the calendar year. my|CalPERS will track classic and new member earnings over multiple CalPERS contracting agencies. Therefore, if a member is hired in the middle of the year from another CalPERS agency, my|CalPERS will notify you, the current employer, when the member reaches or exceeds the compensation limit. Monitoring and contribution reporting begins anew at the beginning of each calendar year.

An internal report is ran to identify employees that are going to reach retirement max. The Retirement unit will process a payment type "P" transactions after payroll master cut off to refund the retirement contributions deducted from each month after the employee has reached the annual retirement compensation max.